



Standard Chartered Bank  
(Hong Kong) Limited  
Interim Financial Information  
Disclosure Statements

For the period ended 30 June 2006

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# STANDARD CHARTERED BANK (HONG KONG) LIMITED

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## STANDARD CHARTERED BANK (HONG KONG) LIMITED

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The directors are pleased to announce the consolidated interim results of Standard Chartered Bank (Hong Kong) Limited (the "Bank") and its subsidiaries for the six months ended 30 June 2006.

### **2006 First Half Results**

Profit before taxation increased by 49 per cent from HK\$2,481 million to HK\$3,691 million. Net interest income grew by 24 per cent to HK\$4,254 million. Net fee and commission income was up 6 per cent on the equivalent period. Total operating income increased by 14 per cent to HK\$6,184 million.

Operating expenses increased by 5 per cent over the corresponding figure in 2005 to HK\$2,595 million. The decrease in impairment losses and allowances on loans and advances of HK\$598 million due to the recovery in the first half of 2006.

After taking into account of taxation, profit after taxation was HK\$3,054 million, an increase of 47 per cent over the HK\$2,076 million recorded in the corresponding period in 2005.

### **Basis of Preparation**

The interim financial information disclosure statements have been prepared in accordance with the same accounting policies adopted in the 2005 annual financial statements.

In accordance with Hong Kong Accounting Standards 27 "Consolidated and Separate Financial Statements", the financial statements have been prepared on a consolidated basis.

### **Statement of compliance**

In preparing the interim results for the first half of 2006, the Bank has fully complied with the disclosure standards set out in the "Interim Financial Disclosure by Locally Incorporated Authorised Institutions" issued by the Hong Kong Monetary Authority ("HKMA").

**STANDARD CHARTERED BANK (HONG KONG) LIMITED****Consolidated Income Statement**

<i>Figures in HK\$m</i>	<b>6 months ended 30 June 2006</b>	<b>6 months ended 30 June 2005</b>
Interest income	<b>8,965</b>	5,053
Interest expense	<b>(4,711)</b>	(1,628)
<b>Net interest income</b>	<b>4,254</b>	3,425
– Fee and commission income	<b>1,818</b>	1,670
– Fee and commission expense	<b>(365)</b>	(302)
Net fee and commission income	<b>1,453</b>	1,368
Net trading gains	<b>467</b>	499
Net gains from disposal of available-for-sale securities	<b>17</b>	220
Other operating expense	<b>(7)</b>	(71)
	<b>1,930</b>	2,016
<b>Total operating income</b>	<b>6,184</b>	5,441
– Staff costs	<b>(1,311)</b>	(1,167)
– Premises and equipment	<b>(375)</b>	(513)
– Others	<b>(909)</b>	(792)
<b>Operating expenses</b>	<b>(2,595)</b>	(2,472)
<b>Operating profit before impairment</b>	<b>3,589</b>	2,969
Impairment losses and impairment allowances on loans and advances	<b>115</b>	(483)
Impairment allowances on available-for-sale securities	<b>–</b>	(5)
Profit on disposal of fixed assets	<b>9</b>	–
Share of results of an associate	<b>(22)</b>	–
<b>Profit before taxation</b>	<b>3,691</b>	2,481
Taxation	<b>(637)</b>	(405)
<b>Profit after taxation</b>	<b>3,054</b>	2,076
<b>Attributable to:</b>		
Equity shareholders of the Bank	<b>3,053</b>	2,068
Minority interests	<b>1</b>	8
<b>Profit after taxation</b>	<b>3,054</b>	2,076

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Consolidated Balance Sheet

<i>Figures in HK\$m</i>	<i>At</i> <b>30 June</b> <i>2006</i>	<i>At</i> <i>31 December</i> <i>2005</i>
<b>Assets</b>		
Cash and balances with banks and other financial institutions	5,954	5,764
Placements with banks and other financial institutions	15,910	39,625
Hong Kong SAR Government certificates of indebtedness	19,871	19,321
Trading assets	27,073	19,773
Advances to customers	177,034	168,876
Amounts due from immediate holding company	45,441	32,310
Amounts due from fellow subsidiaries	9,128	4,948
Available-for-sale securities	56,443	39,866
Interest in an associate	948	959
Fixed assets	3,241	2,807
Intangible assets	811	845
Deferred tax assets	104	121
Other assets	3,488	1,945
	<u>365,446</u>	<u>337,160</u>
<b>Liabilities</b>		
Hong Kong SAR currency notes in circulation	19,871	19,321
Deposits and balances of banks and other financial institutions	8,202	8,723
Deposits from customers	268,019	247,663
Trading liabilities	18,070	14,587
Financial liabilities designated at fair value through profit or loss	7,379	5,153
Certificates of deposit issued	3,983	5,178
Amounts due to immediate holding company	1,909	5,067
Amounts due to fellow subsidiaries	122	69
Current taxation	859	430
Deferred tax liabilities	25	25
Other liabilities	6,768	3,706
Subordinated liabilities	3,724	3,781
	<u>338,931</u>	<u>313,703</u>
<b>Equity</b>		
Share capital	3,901	3,901
Reserves	22,562	19,505
	<u>26,463</u>	<u>23,406</u>
Shareholders' equity	26,463	23,406
Minority interests	52	51
	<u>26,515</u>	<u>23,457</u>
	<u>365,446</u>	<u>337,160</u>

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

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### 1. Taxation

The charge for taxation in the consolidated income statement comprises:

<i>Figures in HK\$m</i>	<b>6 months ended 30 June 2006</b>	<i>6 months ended 30 June 2005</i>
Hong Kong profits tax	620	412
Deferred taxation	17	(7)
	<b>637</b>	405

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### 2. Placements with banks and other financial institutions

<i>Figures in HK\$m</i>	<b>At 30 June 2006</b>	<i>At 31 December 2005</i>
Maturing within one month	13,751	31,775
Maturing between one month and one year	2,159	7,850
	<b>15,910</b>	39,625

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### 3. Trading assets

<i>Figures in HK\$m</i>	<b>At 30 June 2006</b>	<i>At 31 December 2005</i>
Certificates of deposit held	2,388	3,238
Other trading assets	24,685	16,535
	<b>27,073</b>	19,773

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# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

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### 4. Advances to customers

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<i>Figures in HK\$m</i>	<i>At 30 June 2006</i>	<i>At 31 December 2005</i>
Gross advances to customers	<b>168,945</b>	165,730
Trade bills	<b>10,560</b>	5,835
	<b>179,505</b>	171,565
Individual impairment losses (note 8)	<b>(2,082)</b>	(2,275)
Collective impairment losses	<b>(389)</b>	(414)
	<b>177,034</b>	168,876

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# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

### 5. Advances to customers analysed by industry sector and geographical area

Figures in HK\$m

	At 30 June 2006	At 31 December 2005
<b>Gross advances for use in Hong Kong</b>		
<i>Industrial, commercial and financial</i>		
Property development	3,695	3,140
Property investment	16,678	17,171
Financial concerns	8,725	8,010
Stockbrokers	579	542
Wholesale and retail trade	5,387	5,135
Manufacturing	7,904	6,803
Transport and transport equipment	4,274	2,956
Others	5,086	4,726
	<u>52,328</u>	<u>48,483</u>
<i>Individuals</i>		
Advances for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	2,002	2,178
Advances for the purchase of other residential properties	80,369	85,607
Credit card advances	9,392	9,892
Others	5,586	4,725
	<u>97,349</u>	<u>102,402</u>
<b>Total gross advances for use in Hong Kong</b>	<b>149,677</b>	<b>150,885</b>
<b>Trade finance</b>	<b>13,015</b>	<b>12,435</b>
<b>Gross advances for use outside Hong Kong</b>	<b>6,253</b>	<b>2,410</b>
	<u>168,945</u>	<u>165,730</u>

Advances to customers by geographical area are classified according to the location of the counterparties after taking into account the transfer of risk. In general, risk transfer applies when an advance is guaranteed by a party in an area which is different from that of the counterparty. As at 30 June 2006 and 31 December 2005, over 90 per cent of the Bank's and its subsidiaries' advances to customers were classified under the area of Hong Kong.



# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

### 6. Overdue advances to customers

<i>Figures in HK\$m</i>	<i>At</i>		<i>At</i>	
	<i>30 June</i>		<i>31 December</i>	
	<i>2006</i>		<i>2005</i>	
	<i>% of</i>		<i>% of</i>	
	<i>advances</i>		<i>advances</i>	
<b>Gross advances to customers which have been overdue with respect to either principle or interest for periods of:</b>				
6 months or less but over 3 months	247	0.1%	193	0.1%
1 year or less but over 6 months	206	0.1%	417	0.3%
Over 1 year	1,998	1.2%	1,679	1.0%
	<b>2,451</b>	<b>1.4%</b>	<b>2,289</b>	<b>1.4%</b>

### Breakdown by countries

Hong Kong	2,173	2,012
People's Republic of China (excluding Hong Kong)	266	266
Others	12	11
	<b>2,451</b>	<b>2,289</b>

As at 30 June 2006 and 31 December 2005, there were no overdue advances to banks and other financial institutions.

### 7. Rescheduled advances to customers

	<i>At</i>		<i>At</i>	
	<i>30 June</i>		<i>31 December</i>	
	<i>2006</i>		<i>2005</i>	
	<i>HK\$m</i>	<i>% of</i>	<i>HK\$m</i>	<i>% of</i>
		<i>advances</i>		<i>advances</i>
Rescheduled advances	603	0.3%	591	0.4%

Rescheduled advances are those advances which have been restructured or renegotiated because of a deterioration in the financial position of the borrower, or the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms are non-commercial to the Bank. The rescheduled advances are stated net of any advances that have subsequently become overdue for over 3 months and reported as overdue advances in note 6.

As at 30 June 2006 and 31 December 2005, there were no rescheduled advances to banks and other financial institutions.

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

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### 8. Impaired advances

<i>Figures in HK\$m</i>	<b>At 30 June 2006</b>	<i>At 31 December 2005</i>
Gross impaired advances to customers (including trade bills)	<b>2,908</b>	2,919
Individual impairment losses (note 4)	<b>(2,082)</b>	(2,275)
	<b>826</b>	644
Gross impaired advances as a % of gross advances to customers	<b>1.6%</b>	1.7%

An allowance for loan impairment is established if there is objective evidence that the Bank and its subsidiaries will not be able to collect all amounts due according to the original contractual terms. Impaired loans will now be measured at their estimated recoverable amount with additional allowance provided if the recoverable amount (present value of estimated cash flow discounted at original effective interest rate) is lower than the net book value of the loans. Individual impairment allowances are made after taking into account the value of collateral in respect of impaired advances.

As at 30 June 2006 and 31 December 2005, there were no advances to banks which are classified as impaired advances.

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### 9. Repossessed assets

<i>Figures in HK\$m</i>	<b>At 30 June 2006</b>	<i>At 31 December 2005</i>
Reposessed assets	<b>33</b>	39

Assets acquired for release in full or in part the obligations of the borrowers due to restructuring or the inability of borrowers to repay continue to be recorded as "advances to customers" in the balance sheet until the assets are realised. If the estimated realisable value of the assets is less than the carrying value of the obligation, the carrying value is adjusted to reflect the loss in the income statement.

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# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

### 10. Available-for-sale securities

<i>Figures in HK\$m</i>	<i>At 30 June 2006</i>	<i>At 31 December 2005</i>
Certificates of deposit held	452	479
Other available-for-sale securities	55,991	39,387
	<u>56,443</u>	<u>39,866</u>

### 11. Deposits from customers

<i>Figures in HK\$m</i>	<i>At 30 June 2006</i>	<i>At 31 December 2005</i>
Demand deposits and current accounts	21,780	21,505
Saving deposits	102,163	96,649
Time, call and notice deposits	144,076	129,509
	<u>268,019</u>	<u>247,663</u>

### 12. Reserves

<i>Figures in HK\$m</i>	<i>At 30 June 2006</i>	<i>At 31 December 2005</i>
Share premium	12,477	12,477
Properties revaluation reserve	3	3
Hedging reserve	(107)	(44)
Available-for-sale securities revaluation reserve	(132)	(86)
Pension reserve	71	(31)
Exchange reserve	11	–
Retained earnings	10,239	7,186
	<u>22,562</u>	<u>19,505</u>

The HKMA requires the Bank to maintain a minimum level of impairment allowances which is in excess of the impairment allowances required under Hong Kong Financial Reporting Standards. Of the retained earnings as at 30 June 2006, an amount of HK\$572 million (31 December 2005: HK\$355 million) has been reserved for this purpose.

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

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### 13. Off-balance sheet exposures

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Figures in HK\$m

	<b>At 30 June 2006</b>	<b>At 31 December 2005</b>
<b>a) <u>Contractual or notional amounts</u></b>		
<u>Contingent liabilities and commitments</u>		
Direct credit substitutes	<b>4,485</b>	6,574
Transaction-related contingencies	<b>8,191</b>	8,463
Trade-related contingencies	<b>19,474</b>	16,503
Other commitments	<b>158,201</b>	135,466
Others	<b>3,276</b>	1,802
	<hr/> <b>193,627</b>	<hr/> 168,808
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<u>Derivatives</u>		
Exchange rate contracts	<b>568,037</b>	416,167
Interest rate contracts	<b>46,189</b>	26,880
Others	<b>242</b>	54
	<hr/> <b>614,468</b>	<hr/> 443,101
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	<hr/> <b>808,095</b>	<hr/> 611,909
	=====	=====

Contingent liabilities and commitments are credit-related instruments which include acceptances, letters of credit, guarantees and commitments to extend credit. The risk involved is similar to the credit risk involved in extending loan facilities to customers. These transactions are, therefore, subject to the same credit application, portfolio maintenance and collateral requirements as for customers applying for loans. The contractual amounts represent the amounts at risk should the contract be fully drawn upon and the client default. As the facilities may expire without being drawn upon, the contract amounts do not represent expected future cash flows.

The above derivatives transactions are undertaken by the Bank and its subsidiaries in the foreign exchange, interest rate and equity markets. The notional amounts of these instruments indicate the volume of transactions outstanding and do not represent amounts at risk.

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# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

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### 13. Off-balance sheet exposures (Cont'd)

#### b) Replacement costs and credit risk weighted amounts of contingent liabilities and commitments and contracts

The replacement costs and credit risk weighted amounts of the above off-balance sheet exposures, which do not take into account the effects of bilateral netting arrangements, are as follows.

<i>Figures in HK\$m</i>	<i>At 30 June 2006</i>		<i>At 31 December 2005</i>	
	<i>Replacement cost</i>	<i>Credit risk weighted amount</i>	<i>Replacement cost</i>	<i>Credit risk weighted amount</i>
Contingent liabilities and commitments	–	14,799	–	15,804
Exchange rate contracts	2,683	1,276	2,894	1,312
Interest rate contracts	359	190	125	104
Others	2	8	–	1
	<u>3,044</u>	<u>16,273</u>	<u>3,019</u>	<u>17,221</u>

The replacement cost represents the cost of replacing all contracts which have a positive value when marked to market and which have not been subject to any bilateral netting arrangements.

Credit risk weighted amount refers to the amount as computed in accordance with the Third Schedule to the Hong Kong Banking Ordinance on capital adequacy and depends on the status of the counterparty and maturity characteristics.

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# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

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### 14. Cross border claims

Cross border claims are on-balance sheet exposures to counterparties based on the location of those counterparties after taking into account the transfer of risk. For a claim guaranteed by a party situated in a country different from the counterparty, risk will be transferred to the country of the guarantor. For a claim on the branch of a bank or other financial institution, the risk will be transferred to the country where its head office is situated. Claims on individual countries or area, after risk transfer, amounting to 10% or more of the aggregate cross border claims are shown as follows:

*Figures in HK\$m*

	<b>Banks and Other Financial Institutions</b>	<b>Public Sector Entities</b>	<b>Others</b>	<b>Total</b>
<b>As at 30 June 2006</b>				
<b>Asia Pacific excluding Hong Kong</b>				
– South Korea	14,495	–	2,199	16,694
– Others	17,080	–	4,196	21,276
<b>North America</b>	<b>1,370</b>	<b>4,880</b>	<b>7,138</b>	<b>13,388</b>
<b>Western Europe</b>				
– United Kingdom	50,022	–	1,973	51,995
– Others	25,062	1,036	1,481	27,579
 <b>As at 31 December 2005</b>				
<b>Asia Pacific excluding Hong Kong</b>				
– South Korea	1,290	–	786	2,076
– Others	15,451	–	3,736	19,187
<b>North America</b>	<b>4,474</b>	<b>3,808</b>	<b>2,526</b>	<b>10,808</b>
<b>Western Europe</b>				
– United Kingdom	42,712	–	715	43,427
– Others	34,371	1,195	507	36,073

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## STANDARD CHARTERED BANK (HONG KONG) LIMITED

### Additional Information

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#### 15. Currency risk

Foreign currency exposures arising from trading, non-trading and structural positions, with an individual currency constituting 10% or more of the total net position in all foreign currencies, are shown as follows:

<i>Figures in HK\$m</i>	<b>At 30 June 2006</b>	<b>At 31 December 2005</b>
<b>USD</b>		
Spot assets	99,358	95,852
Spot liabilities	(81,367)	(79,944)
Forward purchases	267,119	196,056
Forward sales	(286,967)	(210,890)
Net (short) / long non-structural position	(1,857)	1,074

The Bank and its subsidiaries had the following net structural foreign currency exposures which exceeded 10% of the net structural foreign currency exposure in all currencies.

<i>Figures in HK\$m</i>	<b>At 30 June 2006</b>	<b>At 31 December 2005</b>
Vietnamese Dong	169	170
Chinese Renminbi	948	–
United Arab Emirates Dirham	495	–

#### 16. Capital adequacy ratios

<i>Figures in HK\$m</i>	<b>At 30 June 2006</b>	<b>At 31 December 2005</b>
Capital adequacy ratio	16.0%	15.1%
Adjusted capital adequacy ratio	15.7%	14.8%

The capital adequacy ratio is computed on the consolidated basis of the Bank and certain of its financial subsidiaries as specified by the HKMA for its regulatory purposes, and is in accordance with the Third Schedule to the Hong Kong Banking Ordinance. The adjusted capital adequacy ratio incorporating market risk is computed on an unconsolidated basis as agreed with the HKMA, and is in accordance with the guideline on "Maintenance of Adequate Capital Against Market Risk" under the Supervisory Policy Manual issued by the HKMA.

# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

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### 17. Components of capital base after deductions

The capital base after deductions used in the calculation of the above capital adequacy ratio on the consolidated basis of the Bank and certain of its subsidiaries and reported to the HKMA is analysed as follows:

*Figures in HK\$m*

	<b>At 30 June 2006</b>	<b>At 31 December 2005</b>
<b>Core capital:</b>		
Paid up ordinary share capital	101	101
Irredeemable non-cumulative preference shares	3,800	3,800
Share premium	12,477	12,477
Reserves (including retained earnings)	9,751	6,794
Minority interests	52	51
Deduct: Goodwill	(611)	(611)
	<u>25,570</u>	<u>22,612</u>
	- - - - -	- - - - -
<b>Eligible supplementary capital:</b>		
Properties revaluation reserve (at 70%)	2	2
Available-for-sale securities revaluation reserve	(132)	(86)
Collective impairment allowances for impaired assets and regulatory reserve	961	769
Subordinated liabilities	3,724	3,781
	<u>4,555</u>	<u>4,466</u>
	- - - - -	- - - - -
<b>Total capital base before deductions</b>	<b>30,125</b>	<b>27,078</b>
Deductions from total capital base	(1,441)	(1,400)
	<u>28,684</u>	<u>25,678</u>
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<b>Total capital base after deductions</b>	<b>28,684</b>	<b>25,678</b>

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# STANDARD CHARTERED BANK (HONG KONG) LIMITED

## Additional Information

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### 18. Liquidity ratio

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	<b>6 months ended 30 June 2006</b>	<i>6 months ended 30 June 2005</i>
Average liquidity ratio for the period	<b>42.0%</b>	33.7%

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The average liquidity ratio is computed as the simple average of each calendar month's average liquidity ratio of the Bank for the period.

The liquidity ratio is computed on an unconsolidated basis and in accordance with the Fourth Schedule to the Hong Kong Banking Ordinance.

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By order of the Board



Lai Wing Nga  
Company Secretary

Hong Kong  
8 August 2006